



U.S.-KOREA TRADE AGREEMENT

South Dakota Farmers Will Benefit

December 2010

The U.S.-Korea Trade Agreement, known as the KORUS agreement, will immediately eliminate duties on nearly two-thirds of current U.S. agricultural exports to Korea and gives U.S. exporters improved access to the Korean market for many products that have been highly protected. The U.S. International Trade Commission estimates that annual U.S. agricultural exports to Korea will increase by a minimum of \$1.9 billion upon full implementation of the agreement.

The KORUS agreement eliminates tariffs and other barriers on most agricultural products, increasing export opportunities for a range of South Dakota agricultural products, including beef, feed grains, and soybeans. South Dakota's agricultural exports, estimated at \$2.3 billion in 2009, supported about 18,400 jobs, on and off the farm. These export sales make an important contribution to the South Dakota farm economy, which had total cash receipts of \$6.9 billion in 2009.

Cattle and Beef. South Dakota had farm cash receipts of \$1.6 billion in 2009 from cattle and beef.

- For beef muscle meats, the KORUS agreement provides a 15-year straight-line tariff phase out of the 40 percent tariff reaching duty-free access in Year 15.
- For beef offals and variety meats, the KORUS agreement provides a 15-year straight-line phase out of the 18 percent tariff reaching duty-free access in Year 15.

Feed Grains. As the state's leading agricultural industry, cash receipts from corn totaled \$1.9 billion in 2009. Under the KORUS agreement:

- U.S. exports of corn for feed will be duty-free immediately. Korea is currently the third largest market for U.S. corn for feed.
- The agreement includes a new 93,774-metric ton duty-free tariff-rate quota (TRQ) for corn for processing that grows quickly to 393,849 metric tons by year 7, after which quantities will be unrestricted.

Soybeans and Products. Soybeans are South Dakota's third largest source of farm cash receipts with a total of \$1.4 billion in 2009. The state's industry also serves as the nation's eighth largest exporter of soybeans and products with estimated exports of \$928 million in 2009. Among the KORUS agreement's benefits to South Dakota's soybean producers and processors:

- The greatest potential benefit for the soybean sector is likely to come from improved access to Korea's 300,000-metric ton market for food-quality soybeans. Korea has agreed to immediately eliminate its 5-percent applied tariff on food-use soybeans. In addition, Korea will establish a duty-free TRQ starting at 10,000 metric tons for identity-preserved soybeans for food use. This quota will operate outside the current state trading entity, which has charged a reported \$250 per ton markup on soybean imports supplied to soybean curd processors.

- Soybeans imports for crushing will enter duty-free upon implementation of the agreement, removing the 1-percent applied tariff.
- Korean tariffs on imports of crude soybean oil, the majority of Korea's soybean oil imports, will decline from the current 5.4-percent tariff over 10 years. Refined oil tariff rates will decline from the current 5.4 percent in five equal annual reductions. Korea's 3-percent tariff on soybean flour and meal will immediately go to zero.

Wheat and Barley. South Dakota's wheat producers generated cash receipts of \$748 million in 2009. As the nation's sixth largest exporter of wheat and wheat products, estimated at \$349 million in 2009, The KORUS agreement will provide many benefits to the wheat and barley industry.

- An unlimited amount of U.S. wheat for milling can enter Korea duty free upon implementation of the agreement.
- Korea's imports of U.S. wheat will no longer be subject to Korea's 1.8-percent tariff or the tariff of 1-percent under its autonomous TRQ.
- Although this tariff differential may be small, it provides a small tariff advantage when competing against Canada and Australia.

Selected Agricultural Product Exports For FY 2009 (Oct. 2008-Sept. 2009)		
Product	U.S. to World	South Dakota to World
Cattle and Beef	\$6,703,000,000	\$158,000,000
Feed Grains	\$11,979,000,000	\$606,000,000
Soybeans and Products	\$17,709,000,000	\$928,000,000
Wheat and Barley	\$8,598,000,000	\$349,000,000
Agricultural Total	\$96,632,000,000	\$2,327,000,000

Compiled by ERS using data from Census Bureau, Commerce and NASS.

Note: All State export figures used herein are estimated on a fiscal year basis (October-September) by USDA's Economic Research Service (ERS); all State cash receipt figures are compiled by USDA's National Agricultural Statistics Service (NASS) and ERS on a calendar year basis.

For questions about the U.S.-Korea Trade Agreement and its impact on U.S. agriculture, please contact FAS Legislative and Public Affairs at (202)720-7115 or LPA@fas.usda.gov.